

UNCLE SAM'S CHECKBOOK

by Vernon Dobis (USA), Georgeta Georgescu (Romania), Martha Hopkins (USA), Brenda Smith (USA)

LESSON DESCRIPTION

Students learn about the components of federal income taxes and expenditures. They also create and analyze political cartoons relevant to federal taxes and expenditures.

AGE LEVEL

11-13 years old

CONCEPTS

Income, tax, federal tax revenue, payroll tax, federal expenditures, personal income tax

CONTENT STANDARD

There is an economic role for government to play in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also redistribute income

BENCHMARK

Most federal tax revenue comes from personal income and payroll taxes. Payments to social security recipients, the costs of national defense, medical expenditures, and interest payments on the national debt constitute the bulk of federal government spending.

OBJECTIVES

- ◆ Students will define income, tax, personal income tax, and payroll tax.
- ◆ Students will identify taxation as a source of federal revenue.
- ◆ Students will identify four major areas of federal government spending.

TIME REQUIRED

Two class periods

MATERIALS

- One copy of Activity 1 for each student, cut apart
- One copy of Activity 2 for each pair of students
- Scissors for each student (optional)
- Transparency of Visual 1
- “Uncle Sam’s” hat (Make a hat for a student to play Uncle Sam and collect taxes in the hat.)
- Five stand-up signs: National Defense, Social Security, Medical Care, Interest on the National Debt, and Other Services
- Transparency of a political cartoon from a local newspaper or a news magazine
- Blank transparency and transparency pen for each pair of students

PROCEDURE

Day One

1. Congratulate students, telling them that they’ve just landed a job at Vern’s Big Burger Barn, a local fast-food restaurant. Give ten dollars from Activity 1 to each student or give a copy of Activity 1 and scissors to each student and have students cut the money apart, explaining that the ten dollars represents the income earned for their first day of work.

2. Define **income** as the payment people receive for providing resources in the marketplace. When people work, they earn a wage or salary. Each student’s wage for working at Burger Barn is \$5 per hour. Because each student worked two hours, his or her pay is ten dollars. Discuss the following.

- A. How much income do you have to spend? (*ten dollars*)
- B. How do you want to use your income? (*buy CD, go to a movie, save it*)
- C. Have you ever heard anyone mention “Uncle Sam?” If so, do you know who

LESSON FOUR

“Uncle Sam” is? (*Uncle Sam refers to the United States government.*)

3. Explain that one student in the class will act as Uncle Sam. Select a student and give the student the Uncle Sam hat.

4. Explain that each student must pay three dollars to the federal government, Uncle Sam, as taxes. **Taxes** are required payments to government. Have Uncle Sam collect the taxes. Discuss the following.

- A. After paying taxes, how much income do you have? (*seven dollars*)
- B. Will you be able to buy more or fewer goods and services after paying taxes? (*fewer*)

5. Explain that the taxes the federal government collects are referred to as tax revenue. Most of the federal government’s tax revenue comes from personal income and payroll taxes.

6. Define **personal income tax** as taxes on all personal income – the income people earn as individuals for providing resources in the marketplace. Personal income includes wages, salaries, rent, interest, and dividends.

7. Define **payroll taxes** as taxes on wages and salaries only. Social Security and Medicare payroll deductions are examples of payroll taxes.

8. Display Visual 1 and explain that the tax revenue Uncle Sam collects is deposited in “Uncle Sam’s” checking account. Point out that the visual shows a check register for Uncle Sam’s account. In a check register, people record money coming into their account and money going out of their account.

9. Explain that the amount of tax revenue collected is deposited in Uncle Sam’s account (recorded as a credit). Ask the students how much tax revenue was collected in the class

(\$3 times the number of students in the class). Enter this amount on the register as a credit (deposit) labeled “Tax Revenue.”

10. Explain that the federal government uses its tax revenue to run the government and to provide various goods and services to people.

11. Tell students that the federal government spends approximately 16% of its tax revenue on national defense. National defense expenditures are for military forces, equipment, and other things related to the defense of the country. Have students calculate 16% of the tax revenue collected in the class. Round to the nearest dollar and count that amount into a pile. Place the appropriate sign next to this pile of tax revenue.

12. Remind students that people record money spent (going out of their account) in their check registers. Enter “National Defense” as a payment or debit on the register. Enter the amount and subtract the amount from the previous balance.

13. Explain that the federal government spends approximately 23% of its tax revenue on Social Security – a program that provides retirement, disability, family, and survivors’ funds for some people. Have students calculate 23% of the tax revenue collected in the class. Round to the nearest dollar and count that amount into a pile. Place the appropriate sign next to this pile.

14. Tell students that this is another payment or debit in Uncle Sam’s checking account. Enter “Social Security” in the register. Enter the payment amount and subtract from the previous balance.

15. Explain that the federal government spends approximately 21% of its tax revenue on medical care for the poor, disabled, and elderly. Have students calculate 21% of the total revenue collected in class. Round to the nearest

dollar and count that amount into a pile. Place the appropriate sign next to this pile.

16. Enter “Medical Care” in the check register. Enter the payment amount and subtract from the previous balance.

17. Explain that the federal government spends approximately 15% of its tax revenue on interest on the national debt. When the federal government borrows money, it must pay interest. Have students calculate 15% of the total revenue the class collected. Round to the nearest dollar and count that amount into a pile. Place the appropriate sign next to this pile.

18. Enter “Interest on the National Debt” in the register. Enter the payment amount and subtract from the previous balance.

19. Count the remaining amount and place the remaining amount of tax revenue in a fifth pile. Place the “Other” sign next to the pile. Explain that the government spends the remainder of its revenue on other government services. This includes operating the government, transportation, housing, education and so on.

20. Enter “Other Services” in the register. Enter the payment amount and subtract from the previous balance.

21. Ask the students what percent of its tax revenue the government spends on national defense, Social Security, medical care, and interest on the national debt combined. ($15\% + 21\% + 16\% + 23\% = 75\%$) Point out that the remaining 25% of the tax revenue is spent on other services.

Day Two

1. Ask students if they ever read cartoons or comics in the newspaper. (*Answers will vary.*)

2. Explain that often there are cartoons in another section of the paper. These are political

cartoons that are found in the editorial section of the newspaper. A political cartoon is a satirical drawing or caricature pertaining to government or politics.

3. Explain that most political cartoons have three components.

- **Nametags and/or titles:** Most cartoons contain titles; some contain nametags. These help the readers focus on the topic to which the artist is referring. In addition, any written information found in the cartoon is included in this component.
- ♦ **Symbols:** Symbols are ideas represented in another form. For example, an eagle or Uncle Sam might be used to represent the United States. A donkey might represent the Democratic Party. An elephant might represent the Republican Party. A dove might represent peace.
- **Exaggeration:** Usually the artist exaggerates or emphasizes some component of an object or a person in the drawing. For example, the artist might draw a caricature of a person showing the person with big ears, teeth, or nose.

4. Display a transparency of a political cartoon. Discuss the following.

- A. What written text, name tags, or titles are found in this cartoon?
- B. What symbols are found in the cartoon?
- C. What exaggeration is found in the cartoon?
- D. What statement is the cartoonist trying to make?
- E. Why do you agree or disagree with the artist’s statement?

5. Tell students that they will demonstrate what they have learned about federal taxes and expenditures through political cartoons. To

LESSON FOUR

review what they have learned the previous class, discuss the following.

- A. What are taxes? (*required payments to government*)
- B. What are two sources of federal tax revenue? (*Personal income tax and payroll taxes*)
- C. For what does the federal government use tax revenue? (*to operate the government and to provide goods and services for people*)
- D. What are four major areas on which the U.S. federal government spends tax revenue? (*national defense, interest payment on the national debt, medical care, Social Security*)
- E. How does the federal government spend tax revenue for national defense? (*wages for soldiers, weapons, military equipment*)
- F. How does the federal government spend tax revenue for Social Security? (*retirement pensions for some elderly citizens, payments to some disabled people, payments to some families and survivors*)
- G. How does the federal government spend tax revenue for medical care? (*medical care for elderly, poor, and disabled*)
- H. What is the interest payment on the national debt? (*National debt is the sum of the amounts the federal government has borrowed over years. The government must pay interest on this debt each year.*)
- I. What are other services on which the government spends revenue? (*operating the government—salaries to employees, equipment, buildings and so on; housing, transportation, education, and so on*)

6. Divide the students into pairs. Explain that each pair will create a political cartoon. Each cartoon must make a statement about sources of federal government tax revenue and/or federal government expenditures.

7. Point out that artistic ability/quality is not as important as the message the cartoon conveys about the economics the students have learned.

8. Give a copy of Activity 2, a blank transparency, and an overhead pen to each pair of students.

9. Tell students to produce a rough draft of their cartoon. When they are satisfied with the drawing, they should list the three elements of their drawing on Activity 2 and indicate the message that they are trying to convey. Then they may transfer the drawing to the transparency.

10. When students have completed their drawings, have each pair display its cartoon. Other students should try to interpret the meaning of the cartoon. Then allow the pair, using Activity 2, to clarify the meaning of its cartoon.

CLOSURE

Review the main points of the lesson with the following.

1. What is income? (*payments people receive for providing resources in the marketplace*)
2. What type of income did you earn for working at Vern's Big Burger Barn? (*wages*)
3. Why weren't you able to keep all the income you earned from your job at Vern's Big Burger Barn? (*had to pay taxes*)
4. What are taxes? (*required payments to government*)
5. For what does the federal government use tax revenue it collects? (*to operate the government and to provide services for people*)

6. What are the two main sources of federal tax revenue? (*personal income tax and payroll taxes*)

7. What are personal income taxes? (*taxes on all types of income*)

8. What are payroll taxes? (*taxes on wages and salaries only*)

9. What are four major areas on which the federal government spends the tax revenue it collects? (*national defense, Social Security, medical care, interest on the national debt*)

ASSESSMENT

1. Have students write a short paper that describes the revenues collected and the expenditures made by the federal government.

2. Distribute pencils and paper. Have students draw their own political cartoon. Explain that the cartoon must summarize what they have learned about federal income tax revenue and expenditures. The cartoon cannot reflect any cartoons previously displayed in class.

EXTENSION

1. Have students research the federal government's budget to determine how much revenue the government actually collects, the amount of that revenue that comes from payroll and income taxes, and the actual amounts the government spends on various programs.











2. Have students visit the Library of Congress (www.loc.gov) and the National Archives (www.nara.gov) web sites to find examples of political cartoons that represent the components of federal income taxes and expenditures.

3. Have students research how the remaining twenty-five percent of federal government tax revenue is spent.

LESSON FOUR

Activity 1

Uncle Sam's Funny Money

\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1
\$1		\$1	\$1		\$1

Activity 2

Political Cartoon Report

Text, Name Tags, or Titles (examples – someone speaking, name tags or signs on something or someone, title for the cartoon)

Symbols and What or Whom They Represent (examples – dove for peace, Uncle Sam for the United States)

Exaggerations—an idea or object that is overemphasized (example – caricatures of people with big ears, teeth or nose)

What statement are you trying to make with your political cartoon?

LESSON FOUR

Visual 1

Uncle Sam's Check Register

Uncle Sam's Check Register				
Date	Item	Deposit (Credit)	Check (Debit)	Balance